



United States Government Accountability Office  
Washington, DC 20548

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## TO AUDIT OFFICIALS AND OTHERS INTERESTED IN GOVERNMENT AUDITING STANDARDS

GAO invites your comments on the accompanying proposed changes to *Government Auditing Standards* (GAGAS), commonly known as the “Yellow Book.” These changes propose revisions throughout the entire set of standards. This letter describes the process used by GAO for revising GAGAS, summarizes the proposed major changes, discusses proposed effective dates, and provides instructions for submitting comments on the proposed standards.

### *Process for Revising GAGAS*

To help ensure that the standards continue to meet the needs of the audit community and the public it serves, the Comptroller General of the United States appointed the Advisory Council on Government Auditing Standards to review the standards and recommend necessary changes. The Advisory Council includes experts in financial and performance auditing drawn from all levels of government, private enterprise, public accounting, and academia. This exposure draft of the standards includes the Advisory Council’s suggestions for proposed changes. We are currently requesting public comments on the proposed revisions in the exposure draft.

### *Summary of Major Changes*

The proposed 2006 revision to GAGAS will be the fifth revision since the standards were first issued in 1972. The 2006 Yellow Book exposure draft seeks to emphasize the critical role of high quality government audits in achieving credibility and accountability in government. The overall focus of the proposed 2006 revised standards includes an increased emphasis on audit quality and ethics and an extensive update of the performance audit standards to include a specified level of assurance within the context of risk and materiality. In addition, this proposed revision modernizes GAGAS, with updates to reflect major developments in the accountability and audit environment. Finally, clarifications have been made throughout the standards.

The standards are organized by separate chapters as follows:

- Chapter 1 – Use and Application of GAGAS
- Chapter 2 – Auditor’s Ethical Responsibilities
- Chapter 3 – General Standards
- Chapter 4—Field Work Standards for Financial Audits

Chapter 5—Reporting Standards for Financial Audits  
Chapter 6 – General, Field Work, and Reporting Standards for Attestation Engagements  
Chapter 7 – Field Work Standards for Performance Audits  
Chapter 8 – Reporting Standards for Performance Audits  
Appendix – Explanatory materials that do not represent GAGAS requirements.

### *Effective Dates*

When issued in final, the 2006 revision will supersede the 2003 revision of the standards. We anticipate that, when finalized, standards will become effective for audits beginning on or after July 1, 2007. For financial audits, certain standards issued by the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants have earlier effective dates. For financial audits performed under GAGAS, the effective dates of the new ASB standards will apply.


### *Instructions for Commenting*

The draft of the proposed changes to *Government Auditing Standards, 2006 Revision*, is only available in electronic format and can be downloaded from GAO's Yellow Book Web Page at <http://www.gao.gov/govaud/ybk01.htm>.

We are requesting comments on this draft from audit officials and financial management at all levels of government, the public accounting profession, academia, professional organizations, public interest groups, and other interested parties. To assist you in developing your comments, specific issues are presented in an enclosure to this letter, along with a detailed list of proposed changes. We encourage you to comment on these issues and any additional issues that you note. Please associate your comments with specific references to issue numbers and/or paragraph numbers in the proposed standards and provide your rationale for any proposed changes, along with suggested revised language. Please send your comments electronically to [yellowbook@gao.gov](mailto:yellowbook@gao.gov) no later than August 15, 2006.

If you need additional information please call Michael Hrapsky, Senior Project Manager, Financial Management and Assurance at (202) 512-9535, or Jeanette Franzel, Director, at (202) 512-9471.

Sincerely yours,



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Enclosures